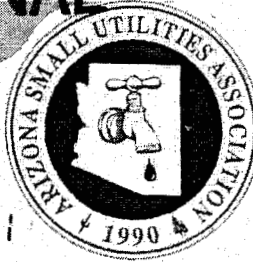


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DWID



August 10, 2006

Commissioner Kristin Mayes
1200 West Washington St.
Phoenix, AZ 85007

Dear Commissioner Mayes:

In accordance with the existing management agreement between the Arizona Small Utilities Association and the McClain Water Systems, Cochise Water, Coronado Water, Miracle Valley Water, Crystal Springs Water, Horseshoe Water, Sierra Sunset Water, and Mustang Water, we are required to provide 30 days written notice prior to the discontinuance of our management services for the McClain Water Systems. Please consider this letter formal notification that the Arizona Small Utilities Association and subsidiary organization, Arizona Rural Utility Service, will discontinue all services being currently provided for said systems effective September 18, 2006.

Additionally, substantial funds are currently due the Arizona Small Utilities Association for services provided to said systems. We, the Board of Directors, request that prior to September 18, 2006, the responsible entities provide a payment schedule which outlines the specification and time frame for satisfying this obligation.

Sincerely,

Curtis Winder

Curtis Winder
President, Arizona Small Utilities Association

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Arizona Corporation Commission

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